

CITY OF NEOLA, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

CITY OF NEOLA, IOWA  
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CITY OF NEOLA, IOWA  
OFFICIALS  
June 30, 2022

(Before January, 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Karla Pogge	Mayor	January, 2022
Lori Eckrich	Mayor Pro Tem	January, 2024
Robb Lockey	Council Member	January, 2022
Nicole Schneckloth	Council Member	January, 2022
Ty Ungrad	Council Member	January, 2024
Richard Schuning	Council Member	January, 2024
Heidi Erwin	City Clerk	Indefinite
Clint Fichter	City Attorney	Indefinite
Scott Rogers	City Attorney	Indefinite

(After January, 2022)

Karla Pogge	Mayor	January, 2024
Lori Eckrich	Mayor Pro Tem	January, 2024
Robb Lockey	Council Member	January, 2026
Nicole Schneckloth	Council Member	January, 2026
Ty Ungrad	Council Member	January, 2024
Richard Schuning (Resigned January, 2022)	Council Member	
Charles Redinbaugh (Appointed January, 2022)	Council Member	January, 2024
Heidi Erwin	City Clerk	Indefinite
Clint Fichter	City Attorney	Indefinite
Scott Rogers	City Attorney	Indefinite

# Gronewold, Bell, Kyhnn & Co. P.C.

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DUSTIN T. VEENSTRA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Neola, Iowa, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Neola, Iowa, as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Neola, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

To the Honorable Mayor and  
Members of the City Council

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Neola's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Neola's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Neola's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Honorable Mayor and  
Members of the City Council

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Neola's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 27 through 31, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2023 on our consideration of the City of Neola's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Neola's internal control over financial reporting and compliance.

*Barnewald, Ben F. Johnson & W. P. C.*

Atlantic, Iowa  
July 3, 2023

CITY OF NEOLA, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2022

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 181,063	\$ 35,562	\$ 73,217
Public works	342,267	62,711	125,004
Health and social services	14,400	--	--
Culture and recreation	102,401	5,447	--
Community and economic development	26,812	--	--
General government	218,349	7,092	--
Debt service	449,355	--	--
Capital projects	<u>1,768,811</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>3,103,458</u>	<u>110,812</u>	<u>198,221</u>
Business type activities:			
Water	150,207	168,998	--
Sewer	256,905	270,486	--
Electric	<u>597,610</u>	<u>692,734</u>	<u>--</u>
Total business type activities	<u>1,004,722</u>	<u>1,132,218</u>	<u>--</u>
Total	<u>\$ 4,108,180</u>	<u>\$ 1,243,030</u>	<u>\$ 198,221</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial/industrial tax replacement			
American Rescue Plan Act			
Unrestricted interest on investments			
Miscellaneous			
Debt proceeds			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ ( 72,284)	\$ --	\$ ( 72,284)
--	( 154,552)	--	( 154,552)
--	( 14,400)	--	( 14,400)
--	( 96,954)	--	( 96,954)
--	( 26,812)	--	( 26,812)
--	( 211,257)	--	( 211,257)
--	( 449,355)	--	( 449,355)
--	( 1,768,811)	--	( 1,768,811)
--	( 2,794,425)	--	( 2,794,425)
--	--	18,791	18,791
--	--	13,581	13,581
--	--	95,124	95,124
--	--	127,496	127,496
\$ --	( 2,794,425)	127,496	( 2,666,929)
	158,418	--	158,418
	131,639	--	131,639
	573,188	--	573,188
	155,224	--	155,224
	11,202	--	11,202
	66,390	--	66,390
	636	11	647
	109,643	1,500	111,143
	1,083,624	--	1,083,624
	73,941	--	73,941
	189,774	( 189,774)	--
	2,553,679	( 188,263)	2,365,416
	( 240,746)	( 60,767)	( 301,513)
	780,278	333,550	1,113,828
\$	539,532	\$ 272,783	\$ 812,315



CITY OF NEOLA, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2022

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Streets		
Debt service		
Capital projects		
Urban renewal purposes		
Fire rescue		
Employee benefits		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 141,697	\$ --	\$ 141,697
	24,035	162,980	187,015
( 1,193,767)	( 1,193,767)	( 270,267)	( 1,464,034)
	18,112	--	18,112
	59,119	--	59,119
	24,094	--	24,094
	186,536	--	186,536
	<u>1,279,706</u>	<u>380,070</u>	<u>1,659,776</u>
	<u>\$ 539,532</u>	<u>\$ 272,783</u>	<u>\$ 812,315</u>

CITY OF NEOLA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Local Option</u> <u>Sales Tax</u>
Receipts:			
Property tax	\$ 126,988	\$ --	\$ --
Tax increment financing	--	--	--
Other city tax	9,583	--	155,224
Licenses and permits	8,631	--	--
Use of money and property	109,875	--	--
Intergovernmental	49,250	125,004	--
Charges for service	102,350	--	--
Miscellaneous	--	--	--
Total receipts	<u>406,677</u>	<u>125,004</u>	<u>155,224</u>
Disbursements:			
Operating:			
Public safety	127,890	--	--
Public works	311,950	3,268	--
Health and social services	14,400	--	--
Culture and recreation	101,745	--	--
Community and economic development	16,812	--	--
General government	209,808	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>782,605</u>	<u>3,268</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	( 375,928)	121,736	155,224
Other financing sources (uses):			
Sale of capital assets	--	--	--
Debt proceeds	--	--	--
Transfers in	359,751	--	--
Transfers out	--	( 121,736)	( 155,224)
Total other financing sources (uses)	<u>359,751</u>	<u>( 121,736)</u>	<u>( 155,224)</u>
Change in cash balances	( 16,177)	--	--
Cash balances beginning of year	<u>1,295,883</u>	<u>141,697</u>	<u>186,536</u>
Cash balances end of year	<u>\$ 1,279,706</u>	<u>\$ 141,697</u>	<u>\$ 186,536</u>

(continued next page)

Special Revenue		Debt Service	Capital Projects	Special Revenue	Total
Tax Increment Financing	Fire Rescue			Employee Benefits - Nonmajor	
\$ --	\$ --	\$ 131,639	\$ --	\$ 21,847	\$ 280,474
573,188	--	--	--	--	573,188
--	--	--	--	--	164,807
--	--	--	--	--	8,631
--	--	--	--	--	109,875
--	--	3,763	66,390	--	244,407
--	--	--	--	--	102,350
--	31,641	--	--	--	31,641
<u>573,188</u>	<u>31,641</u>	<u>135,402</u>	<u>66,390</u>	<u>21,847</u>	<u>1,515,373</u>
--	53,173	--	--	--	181,063
--	--	--	--	27,049	342,267
--	--	--	--	--	14,400
--	--	--	--	656	102,401
10,000	--	--	--	--	26,812
--	--	--	--	8,541	218,349
--	--	449,355	--	--	449,355
--	--	--	1,768,811	--	1,768,811
<u>10,000</u>	<u>53,173</u>	<u>449,355</u>	<u>1,768,811</u>	<u>36,246</u>	<u>3,103,458</u>
563,188	( 21,532)	( 313,953)	( 1,702,421)	( 14,399)	( 1,588,085)
--	--	--	73,941	--	73,941
--	--	--	1,083,624	--	1,083,624
--	--	387,085	247,073	36,000	1,029,909
( 563,175)	--	--	--	--	( 840,135)
<u>( 563,175)</u>	<u>--</u>	<u>387,085</u>	<u>1,404,638</u>	<u>36,000</u>	<u>1,347,339</u>
13	( 21,532)	73,132	( 297,783)	21,601	( 240,746)
<u>18,099</u>	<u>80,651</u>	<u>( 49,097)</u>	<u>( 895,984)</u>	<u>2,493</u>	<u>780,278</u>
<u>\$ 18,112</u>	<u>\$ 59,119</u>	<u>\$ 24,035</u>	<u>\$ ( 1,193,767)</u>	<u>\$ 24,094</u>	<u>\$ 539,532</u>

CITY OF NEOLA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Local Option</u> <u>Sales Tax</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$       --	\$    141,697	\$       --
Debt service	--	--	--
Urban renewal purpose	--	--	--
Fire Rescue	--	--	--
Employee benefits	--	--	--
Other purposes	--	--	186,536
Unassigned	<u>1,279,706</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$   1,279,706</u>	<u>\$    141,697</u>	<u>\$    186,536</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
<u>Tax Increment Financing</u>	<u>Fire Rescue</u>			<u>Employee Benefits - Nonmajor</u>	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 141,697
--	--	24,035	--	--	24,035
18,112	--	--	--	--	18,112
--	59,119	--	--	--	59,119
--	--	--	--	24,094	24,094
--	--	--	( 1,193,767)	--	( 1,007,231)
--	--	--	--	--	1,279,706
<u>\$ 18,112</u>	<u>\$ 59,119</u>	<u>\$ 24,035</u>	<u>\$ ( 1,193,767)</u>	<u>\$ 24,094</u>	<u>\$ 539,532</u>

CITY OF NEOLA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2022

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 168,998	\$ 270,486
Miscellaneous	--	--
Total operating receipts	<u>168,998</u>	<u>270,486</u>
Operating disbursements:		
Business type activities	<u>126,867</u>	<u>153,485</u>
Total operating disbursements	<u>126,867</u>	<u>153,485</u>
Excess of operating receipts over operating disbursements	42,131	117,001
Non-operating receipts (disbursements):		
Interest on investments	--	--
Debt service	( 23,340)	( 103,420)
Net non-operating disbursements	<u>( 23,340)</u>	<u>( 103,420)</u>
Excess of receipts over disbursements	18,791	13,581
Transfers out	<u>( 18,791)</u>	<u>( 120,983)</u>
Change in cash balances	--	( 107,402)
Cash balances beginning of year	<u>100,772</u>	<u>( 19,185)</u>
Cash balances end of year	<u>\$ 100,772</u>	<u>\$( 126,587)</u>
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$ 42,980	\$ 120,000
Capital projects	--	( 270,267)
Unrestricted	<u>57,792</u>	<u>23,680</u>
Total cash basis fund balances	<u>\$ 100,772</u>	<u>\$( 126,587)</u>

The accompanying notes are an integral part of these statements.

Enterprise	
Electric	Total
\$ 692,734	\$ 1,132,218
<u>1,500</u>	<u>1,500</u>
694,234	1,133,718
564,647	844,999
<u>564,647</u>	<u>844,999</u>
129,587	288,719
11	11
( 32,963)	( 159,723)
<u>( 32,952)</u>	<u>( 159,712)</u>
96,635	129,007
( 50,000)	( 189,774)
46,635	( 60,767)
<u>251,963</u>	<u>333,550</u>
<u>\$ 298,598</u>	<u>\$ 272,783</u>
\$ --	\$ 162,980
--	( 270,267)
<u>298,598</u>	<u>380,070</u>
<u>\$ 298,598</u>	<u>\$ 272,783</u>



CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Neola, Iowa is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Neola has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Neola has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Pottawattamie County Landfill Association, Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission, and Pottawattamie County E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental fund is reported as a nonmajor governmental fund.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the local option sales tax to be used for purposes allowed by local ballot provisions.

The Tax Increment Financing Fund is used to account for urban renewal tax increment financing collections and the repayment of tax increment financing indebtedness.

The Fire Rescue Fund is used to account for donations received for fire rescue services.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, capital projects and business type activities functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds/Notes	<u>\$ 1,556,923</u>	<u>\$ --</u>	<u>\$ 399,249</u>	<u>\$ 1,157,674</u>	<u>\$ 450,638</u>
Business type activities:					
Water Revenue Notes - Direct Borrowing	\$ 67,000	\$ 1,083,624	\$ 22,000	\$ 1,128,624	\$ 22,000
Sewer Revenue Bonds - Direct Borrowing	1,336,000	--	60,000	1,276,000	62,000
Electric Revenue Notes - Direct Borrowing	<u>282,926</u>	<u>--</u>	<u>25,076</u>	<u>257,850</u>	<u>25,798</u>
	<u>\$ 1,685,926</u>	<u>\$ 1,083,624</u>	<u>\$ 107,076</u>	<u>\$ 2,662,474</u>	<u>\$ 109,798</u>

General Obligation Bonds and Notes

A summary of the City's June 30, 2022 general obligation bonds and notes payable is as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Sewer Improvement Bonds, Series 2012 Issued September 28, 2012</u>			<u>Corporate Purpose Fire Truck Note Issued November 10, 2014</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2023	1.75%	\$ 62,000	\$ 11,935	2.75%	\$ 32,242	\$ 887
2024	1.75%	64,000	10,850	2.75%	4,283	117
2025	1.75%	65,000	9,730	--	--	--
2026	1.75%	66,000	8,593	--	--	--
2027	1.75%	67,000	7,438	--	--	--
2028-2032	1.75%	<u>358,000</u>	<u>19,022</u>	--	--	--
		<u>\$ 682,000</u>	<u>\$ 67,568</u>		<u>\$ 36,525</u>	<u>\$ 1,004</u>

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	2018 Ambulance Note Issued July 9, 2018			Corporate Purpose Urban Renewal Notes Issued August 26, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	3.75%	\$ 20,396	\$ 3,868	3.50%	\$ 336,000	\$ 11,760
2024	3.75%	21,161	3,103		--	--
2025	3.75%	21,954	2,310		--	--
2026	3.75%	22,778	1,486		--	--
2027	3.75%	16,860	632		--	--
2028-2032		--	--		--	--
		<u>\$ 103,149</u>	<u>\$ 11,399</u>		<u>\$ 336,000</u>	<u>\$ 11,760</u>
<u>Totals</u>						
Year Ending June 30,	Principal	Interest	Total			
2023	\$ 450,638	\$ 28,450	\$ 479,088			
2024	89,444	14,070	103,514			
2025	86,954	12,040	98,994			
2026	88,778	10,079	98,857			
2027	83,860	8,070	91,930			
2028-2032	<u>358,000</u>	<u>19,022</u>	<u>377,022</u>			
	<u>\$ 1,157,674</u>	<u>\$ 91,731</u>	<u>\$ 1,249,405</u>			

On September 28, 2012, the City issued \$1,500,000 of general obligation bonds with an interest rate of 1.75% per annum. The bonds were issued for sewer improvements within the City. During the year ended June 30, 2022, the City paid \$61,000 of principal and \$13,003 of interest on the bonds. The bonds mature in fiscal year 2032.

On November 10, 2014, the City issued \$235,000 of a general obligation note with an interest rate of 2.75% per annum. The note was issued for the essential corporate purpose of acquiring a fire truck. During the year ended June 30, 2022, the City paid \$31,264 of principal and \$1,864 of interest on the note. The note matures in fiscal year 2024.

On July 9, 2018, the City issued \$200,000 of a general obligation note with an interest rate of 3.75% per annum. The note was issued for the essential corporate purpose of acquiring an ambulance. During the year ended June 30, 2022, the City paid \$19,416 of principal and \$4,848 of interest on the note. The note matures in fiscal year 2027.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

On August 26, 2019, the City issued \$525,000 of a general obligation note with an interest rate of 3.50% per annum. The note was issued for urban renewal projects. During the year ended June 30, 2022, the City paid \$84,000 of principal and \$14,932 of interest on the note. The note matures in fiscal year 2023.

On September 26, 2019, the City issued \$300,000 of a general obligation note with an interest rate of 3.50% per annum. The note was issued for park and recreation improvements. During the year ended June 30, 2022, the City paid \$203,569 of principal and \$13,601 of interest on the note. The note was paid off in fiscal year 2022.

Revenue Bonds and Notes

A summary of the City's June 30, 2022 revenue bonds and notes payable is as follows:

Year Ending June 30,	Water Revenue Capital Loan Note, Series 2004 Issued March 3, 2004			Sewer Revenue Bonds, Series 2012 Issued January 6, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.75%	\$ 22,000	\$ 788	1.75%	\$ 62,000	\$ 22,330
2024	1.75%	23,000	402	1.75%	64,000	21,245
2025		--	--	1.75%	66,000	20,125
2026		--	--	1.75%	68,000	18,970
2027		--	--	1.75%	71,000	17,780
2028-2032		--	--	1.75%	389,000	69,510
2033-2037		--	--	1.75%	456,000	33,180
2038-2042		--	--	1.75%	100,000	1,750
		<u>\$ 45,000</u>	<u>\$ 1,190</u>		<u>\$1,276,000</u>	<u>\$ 204,890</u>
Year Ending June 30,	Electric Revenue Note, Series 2016 Issued July 1, 2016			Water Revenue Notes, Series 2021A Issued December 1, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.85%	\$ 25,798	\$ 7,164		\$ --	\$ --
2024	2.85%	26,520	6,442	2.25%	114,715	21,278
2025	2.85%	27,299	5,663	2.25%	127,869	20,487
2026	2.85%	28,082	4,880	2.25%	130,776	17,580
2027	2.85%	28,889	4,073	2.25%	133,749	14,607
2028-2032	2.85%	121,262	7,714	2.25%	576,515	27,344
2033-2037		--	--		--	--
2038-2042		--	--		--	--
		<u>\$ 257,850</u>	<u>\$ 35,936</u>		<u>\$1,083,624</u>	<u>\$ 101,296</u>

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Totals		
	Principal	Interest	Total
2023	\$ 109,798	\$ 30,282	\$ 140,080
2024	228,235	49,367	277,602
2025	221,168	46,275	267,443
2026	226,858	41,430	268,288
2027	233,638	36,460	270,098
2028-2032	1,086,777	104,568	1,191,345
2033-2037	456,000	33,180	489,180
2038-2042	100,000	1,750	101,750
	<u>\$ 2,662,474</u>	<u>\$ 343,312</u>	<u>\$ 3,005,786</u>

Water Revenue Notes - Direct Borrowing

On March 3, 2004, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of \$350,000 of water revenue notes, with an interest rate of 1.75% per annum. The notes were issued pursuant to Chapters 384.24 and 384.83 of the Code of Iowa to provide financing for the acquisition or improvement of the water tower and water mains. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$22,000 and interest of \$1,173 on the note. The note matures in fiscal year 2024.

On December 1, 2021, the City entered into a water revenue note and disbursement agreement with the United States Department of Agriculture (USDA) - Rural Utilities Services for the issuance of up to \$3,900,000 of water revenue notes at 2.25% per annum. The notes were issued pursuant to the provisions of Chapters 384.24 and 384.83 of the Code of Iowa to provide financing for the repair and improvement to the water system. The City will draw down funds from an interim financing note upon request to reimburse the City for costs as they are incurred. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City drew down \$1,083,624 of the authorized amount, leaving a balance of \$2,816,376 to draw. A final repayment schedule has not yet been adopted for the notes. Payments in the amount of \$12,363 per month for a period of four hundred eighty months are to begin one month after completion of the project. The payment schedule was estimated based on the balance as of June 30, 2022, payments beginning August 1, 2023.



CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Sewer Revenue Bonds - Direct Borrowing

On January 6, 2012, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of \$1,800,000 of sewer revenue bonds with an interest rate of 1.75% per annum. The bonds were issued pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the construction of improvements to the sewer treatment plant. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$60,000 and interest of \$40,080 on the bonds. The bonds mature in fiscal year 2038.

The resolutions providing for the issuance of the water and sewer revenue bonds and notes include the following provisions.

- a. The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b. Sufficient transfers shall be made to separate water and sewer revenue bonds and notes sinking accounts within the Enterprise Funds for the purpose of making principal and interest payments when due.

Electric Revenue Note - Direct Borrowing

On July 1, 2016, the City entered into an agreement with the Farmers and Merchants Bank for the issuance of \$400,000 of electric revenue note with interest at 2.85% per annum. The note was issued pursuant to Chapters 384.24A and 3984.83 of the Code of Iowa to provide financing for the construction of improvements to the City's electrical physical plant. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$25,076 and interest of \$7,887 on the note. The note matures in fiscal year 2032.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 4 - IPERS PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 4 - IPERS PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$18,047.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported a liability of \$2,839 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was (0.000822)%, which was a decrease of 0.002926% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense (income), deferred outflows of resources and deferred inflows of resources totaled \$(9,871), \$18,685 and \$119,702 respectively.

There were no non-employer contributing entities to IPERS.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 4 - IPERS PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 4 - IPERS PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 100,485	\$ 2,839	\$( 78,994)

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time, and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time, and sick leave payable to employees at June 30, 2022, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 4,000
Sick Leave	<u>4,000</u>
Total	<u>\$ 8,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 121,736
	Local Option Sales Tax	155,224
	Enterprise:	
	Water	18,791
	Sewer	50,000
	Electric	14,000
		<u>359,751</u>
Special Revenue: Employee Benefits	Enterprise: Electric	36,000
Debt Service	Special Revenue:	
	Tax Increment Financing	316,102
	Enterprise:	
	Sewer	<u>70,983</u>
		387,085
Capital Projects	Special Revenue:	
	Tax Increment Financing	<u>247,073</u>
		<u>\$ 1,029,909</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - DEFICIT BALANCES

The Capital Projects Fund, Capital Projects Housing Program Fund and Sewer Capital Projects Fund had deficit balances of \$1,083,774, \$167,240, and \$270,267, respectively at June 30, 2022. The deficits will be eliminated through future tax increment financing collections, grant funds and other financing sources.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

The City has entered into several construction contracts totaling approximately \$4,240,000 that are still in process as of June 30, 2022. The net remaining amount committed to these contracts is approximately \$2,010,000, which will be paid with existing capital project funds, debt proceeds, local option sales tax revenue, tax increment financing revenues, grant proceeds, and donations.

NOTE 10 - SUBSEQUENT EVENTS

In November, 2022, the City issued \$325,000 of sewer revenue notes. The proceeds of these notes will be used to fund improvements to the wastewater treatment plant.

The City has evaluated all subsequent events through July 3, 2023, the date the financial statements were available to be issued.



CITY OF NEOLA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 11 - COVID-19

In March, 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Neola, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Neola. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Neola.

\* \* \*

## OTHER INFORMATION

CITY OF NEOLA, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL  
FUNDS AND PROPRIETRY FUNDS  
OTHER INFORMATION

Year ended June 30, 2022

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 280,474	\$ --	\$ 280,474
Tax increment financing	573,188	--	573,188
Other city tax	164,807	--	164,807
Licenses and permits	8,631	--	8,631
Use of money and property	109,875	11	109,886
Intergovernmental	244,407	--	244,407
Charges for service	102,350	1,132,218	1,234,568
Miscellaneous	31,641	1,500	33,141
Total receipts	<u>1,515,373</u>	<u>1,133,729</u>	<u>2,649,102</u>
Disbursements:			
Public safety	181,063	--	181,063
Public works	342,267	--	342,267
Health and social services	14,400	--	14,400
Culture and recreation	102,401	--	102,401
Community and economic development	26,812	--	26,812
General government	218,349	--	218,349
Debt service	449,355	--	449,355
Capital projects	1,768,811	--	1,768,811
Business type activities	--	1,004,722	1,004,722
Total disbursements	<u>3,103,458</u>	<u>1,004,722</u>	<u>4,108,180</u>
Excess (deficiency) of receipts over (under) disbursements	( 1,588,085)	129,007	( 1,459,078)
Other financing sources (uses), net	<u>1,347,339</u>	<u>( 189,774)</u>	<u>1,157,565</u>
Change in fund balances	( 240,746)	( 60,767)	( 301,513)
Balances beginning of year	<u>780,278</u>	<u>333,550</u>	<u>1,113,828</u>
Balances end of year	<u>\$ 539,532</u>	<u>\$ 272,783</u>	<u>\$ 812,315</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 292,392	\$ 292,392	\$ ( 11,918)
561,560	561,560	11,628
129,124	151,124	13,683
9,050	9,050	( 419)
4,850	4,850	105,036
180,083	180,083	64,324
1,155,330	1,155,330	79,238
74,500	224,500	( 191,359)
<u>2,406,889</u>	<u>2,578,889</u>	<u>70,213</u>
130,722	170,722	( 10,341)
319,200	319,200	( 23,067)
12,400	12,400	( 2,000)
80,270	95,270	( 7,131)
15,000	15,000	( 11,812)
204,620	219,620	1,271
337,254	537,254	87,899
399,458	1,599,458	( 169,353)
841,052	841,052	( 163,670)
<u>2,339,976</u>	<u>3,809,976</u>	<u>( 298,204)</u>
66,913	( 1,231,087)	( 227,991)
--	<u>1,050,000</u>	<u>107,565</u>
66,913	( 181,087)	( 120,426)
<u>1,263,673</u>	<u>1,263,673</u>	<u>( 149,845)</u>
<u>\$ 1,330,586</u>	<u>\$ 1,082,586</u>	<u>\$ ( 270,271)</u>

CITY OF NEOLA, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2022

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,470,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, capital projects, and business type activities functions.

CITY OF NEOLA, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS\*

OTHER INFORMATION

	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability	( 0.000822)%	0.002104%
City's proportionate share of the net pension liability	\$ 3,000	\$ 148,000
City's covered payroll	\$ 164,000	\$ 167,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	1.83%	88.62%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF NEOLA, IOWA  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST THREE YEARS

OTHER INFORMATION

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 18,000	\$ 16,000	\$ 16,000
Contributions in relation to the statutorily required contribution	<u>( 18,000)</u>	<u>( 16,000)</u>	<u>( 16,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 191,000	\$ 164,000	\$ 167,000
Contributions as a percentage of covered payroll	9.42%	9.76%	9.58%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF NEOLA, IOWA  
NOTES TO OTHER INFORMATION - IPERS PENSION LIABILITY  
YEAR ENDED JUNE 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.



## SUPPLEMENTARY INFORMATION

CITY OF NEOLA, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

<u>Grantor/Program</u>	<u>Assistance Listings Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Agriculture:			
Rural Development:			
Water and Waste Disposal Systems for Rural Communities			
Direct loan*	10.760		\$ 1,196,589
Total U.S. Department of Agriculture			1,196,589
U.S. Department of the Treasury:			
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	21.027	FY2022	66,612
Total U.S. Department of the Treasury			66,612
Total			\$ 1,263,201

\* Outstanding loan balance as of June 30, 2022 was \$1,083,624.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Neola under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Neola, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Neola.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Neola has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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KENNETH P. TEGELS  
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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Neola, Iowa, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 3, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

## **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Neola's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Neola's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Neola's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Neola's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Neola's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Neola's Responses to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City of Neola's responses to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Neola's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*bmewald, Ben, Fyhn + G.P.C.*

Atlantic, Iowa  
July 3, 2023

# Gronewold, Bell, Kyhnn & Co. P.C.

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## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and  
Members of the City Council

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited the City of Neola, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Neola's major federal program for the year ended June 30, 2022. The City of Neola's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Neola complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards), and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Neola and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Neola's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Neola's federal programs.

To the Honorable Mayor and  
Members of the City Council

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Neola's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the City of Neola's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Neola's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Neola's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Neola's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bmebold, Ben, Kynner & Co. P.C.*

Atlantic, Iowa  
July 3, 2023



CITY OF NEOLA, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listings Number 10.760 - Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Neola did not qualify as a low-risk auditee.

CITY OF NEOLA, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF NEOLA, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART III: Findings and Questioned Costs For Federal Awards

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

2022-A Certified Budget: Disbursements during the year ended June 30, 2022 exceeded the amount budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable

Conclusion: Response accepted.

2022-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2022-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

2022-D Business Transactions: In accordance with Chapter 362.5 of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

CITY OF NEOLA, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

PART IV: Other Findings Related to Required Statutory Reporting - Continued

2022-E Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2022-G City Council Minutes: No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council held a meeting on July 13, 2021. This meeting was not preceded by proper notice and no minutes were maintained or properly published within fifteen days of the meeting. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation: The City should comply with Chapters 21 and 376 regarding proper notice of meetings, and maintaining and publishing City Council minutes. The City should also publish in its minutes annual individual salaries, as required.

Response: We will comply with the Code requirements for all City Council meetings. We will publish salaries as required.

Conclusion: Response accepted.

2022-H Deposits and Investments: The City has an investment policy; however, it should be updated to comply with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, the name of one of the depositories listed on the City's depository resolution has changed, but the depository resolution was not updated.

Recommendation: The City should update its investment policy and depository resolution in accordance with Chapters 12B.10B and 12C.2 of the Code of Iowa.

Response: We will update the City's investment policy and depository resolution as required.

Conclusion: Response accepted.

2022-I Revenue Bonds and Notes: No instances of non-compliance with the revenue bonds and notes resolutions were noted.

CITY OF NEOLA, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART IV: Other Findings Related to Required Statutory Reporting - Continued

- 2022-J Annual Urban Renewal Report: The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following exception was noted:

Activity in the TIF Fund #127 was not recorded on the City's Annual Urban Renewal Reports.

Recommendation: The City should include all TIF activity on the Annual Urban Renewal Report.

Response: We will include all TIF activity as required in the Annual Urban Renewal Report.

Conclusion: Response accepted.

- 2022-K Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.

- 2022-L Financial Condition: The following funds had a deficit balance at June 30, 2022.

Capital projects - fund 301	\$ 1,083,774
Capital projects housing program - fund 303	167,240
Sewer capital projects - fund 611	270,267

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: These deficit fund balances will be eliminated during fiscal year 2023 through future tax increment financing collections, grant funds and other financing sources.

Conclusion: Response accepted.

CITY OF NEOLA, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART IV: Other Findings Related to Required Statutory Reporting - Continued

2022-M Economic Development: During the year ended June 30, 2022, the City paid \$2,500 to the Western Iowa Development Association, a chamber of commerce type organization. The City Council has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Council should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

\* \* \*